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AICPA *Washington Report*

February 16, 1987, Volume XV, Issue 49

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INTERSTATE COMMERCE COMMISSION

Revisions to the Uniform System of Accounts for Railroads have been adopted by the ICC effective 1/1/87 (see the 2/11/87 Fed. Reg., pp. 4321-47). According to the final rule, the revisions represent an abbreviated Uniform System of Accounts that satisfies the ICC costing objectives while improving future carrier text retrieval and overall usefulness. The revised system includes changes to comply with generally accepted accounting principles. It also contains revised instructions or account texts for clarity or to introduce new accounting approaches to improve reporting. Although the text of the final rule is contained in the Federal Register, additional information is provided on the proposal in the body of the Commission's decision. A copy of the full decision can be purchased by writing to: T.S. Infosystems, Inc., Room 2229, Interstate Commerce Commission Building, Washington, D.C. 20423, or by calling 800/424-5403 or 289-4357 in the D.C. Metropolitan area. For further information contact William Moss at the ICC at 202/275-7510.

SMALL BUSINESS ADMINISTRATION

The Presidential Advisory Committee on Small and Minority Business Ownership will hold a public meeting 2/23/87 in Oakland, CA (see the 2/9/87 Fed. Reg., pp. 4073-74). The Advisory Committee will meet from 9 a.m. to 4 p.m. and will hear testimony from private sector executives, local officials, trade associations, and small and minority business entrepreneurs concerning the challenges they face in the development of their businesses and any proposed solutions for possible implementation by the Federal government. The meeting will be held at the Oakland City Council Chambers, 3rd Floor, 1 City Hall Plaza, Oakland, CA. (The location of the Advisory Committee's meeting has been changed since the notice appeared in the 2/9/87 Fed. Reg. An updated notice will be published in the Fed. Reg. within the next few days reflecting the change to the Oakland City Council Chambers.) Future Advisory Committee meetings will be announced following the 2/23/87 meeting. For further information contact Milton Wilson, Jr. at the SBA at 202/653-6526.

TREASURY, DEPARTMENT OF

The agenda for the 3/9-10/87 meeting of the Internal Revenue Service Commissioner's Advisory Group has been announced by the IRS (see the 2/12/87 Fed. Reg., pg. 4564-65). Topics on the agenda include discussion of the IRS budget, an update on IRS' implementation of the Tax Reform Act of 1986, and the Advisory Group's charter. The group will also tour the IRS service center in Austin, TX, where the meeting is being held. This is the first meeting of the newly-appointed group, which includes five CPAs (see the 2/9/87 Wash. Rpt.). Individuals wishing to attend the meeting must notify Robert Hilgen, IRS acting executive secretary, by 3/2/87, at 202/566-4143. Anyone wishing to submit a written statement for consideration by the Advisory Group should also contact Mr. Hilgen at the IRS, Room 3014, 1111 Constitution Avenue, N.W., Washington, D.C. 20224.

SPECIAL: AICPA TAX DIVISION SUGGESTS CHANGES FOR FORM W-4

Suggestions regarding simplification of the new Form W-4 have been submitted by the Tax Division of the AICPA to the Senate Finance Subcommittee on Oversight of the IRS for inclusion in the printed record of its 2/6/87 hearing. The suggestions were also sent to the Internal Revenue Service. The statement said, "We commend the Senate Oversight Subcommittee for responding to the public concern over the perceived complexity of the new W-4 form. At the same time we want to commend the IRS Tax Forms Coordinating Committee for doing an outstanding job of fulfilling

their most difficult mandate to design a form which would assume that all employees would pay at least 90 percent of their tax through the withholding mechanism." The suggestions to improve the form were made by the AICPA Tax Forms Subcommittee in three general areas: 1) Overhaul the current format; 2) Decrease the scope of the form; and 3) Create two forms to replace the W-4--one for taxpayers with relatively simple tax estimation situations and one for taxpayers with more complex situations. Copies of the statement may be obtained by calling the AICPA Washington office at 202/872-8190, ext. 47.

SPECIAL: AICPA BOARD OF DIRECTORS APPROVES REPORT BY AUDIT QUALITY TASK FORCE

The "Report of the Task Force on the Quality of Audits of Governmental Units" was approved by the Board of Directors of the AICPA at its 2/11/87 meeting. The report contains 25 recommendations designed to provide "a comprehensive action plan that will improve the quality of audit performance and enhance the confidence of all parties in the reliability of audits of governmental units." The chairman of the AICPA Federal Government Executive Committee established the Task Force on the Quality of Audits of Governmental Units in July 1985 as a part of the AICPA's on-going effort to improve the audit quality of governmental units. Members of the Task Force include representatives of large and small certified public accounting firms, two state auditors, and a representative of the Federal Inspectors General.

The 25 recommendations of the task force are divided into five areas which have been labelled the five "E's"--Education, Engagement, Evaluation, Enforcement, and Exchange. The Task Force's report states that "the changes recommended in this report must be implemented by the three major participants in the governmental audit process: the auditors, the auditees, and the organizations that oversee the auditors and the auditees." The report further notes that some of the recommendations can be implemented by one group, but that others will require a coordinated effort by two or more groups to be implemented.

Some of the recommendations include: 1) Requiring auditors of governmental units to complete relevant continuing professional education programs; 2) Ensuring quality of continuing professional education courses and instructors in governmental accounting and governmental auditing; 3) Developing a statement on auditing standards on compliance with applicable laws and regulations; 4) Strengthening the AICPA's and governmental officials' capability to provide timely technical advice; 5) Updating OMB's "Compliance Supplement for Single Audits of State and Local Governments" annually and OMB's Questions and Answers Booklet to reflect the issuance of OMB Circular A-128; 6) Undertaking a study of the audit procurement process; 7) Developing and distributing a Model Request for Proposal; 8) Standardizing agency implementation regulations for the single audit; 9) Placing all audit quality activities under the responsibility of knowledgeable officials, such as the Inspector General, state auditor's office or independent local auditor's office; 10) Requiring participation in a peer review program; and 11) Improving the system for referring substandard audits.

The Task Force concludes that if the various segments of the audit community cooperate in implementing its recommendations that the five "E's" can be "brought together into the sixth and most important 'E' - Excellence."

Copies of the report will not be available until later this Spring; information about how to obtain a copy of the report will be provided in the Washington Report at that time.

SPECIAL: LEGISLATION AMENDING THE PROMPT PAYMENT ACT INTRODUCED

Eliminating the ambiguities and closing the loopholes in the Prompt Payment Act is the purpose of S. 328, the bill's sponsor, Sen. James Sasser (D-TN), said upon introducing the legislation. Sen. Sasser said it "is small businesses which sell to the Government which are hardest hit by late Government payments" and that S. 328 would correct the problems which have been identified with the current law. The Prompt Payment Act of 1982 requires the Federal government to pay its contractors by the due date specified in the contract or within 30 days in the absence of a contractual due date. If the payment is not made by the due date, the Act entitles the contractors to a late payment interest penalty. S. 328, the Prompt Payment Act Amendments of 1987, includes the following provisions: 1) late payment interest penalties would be paid automatically and increased penalties assessed if an agency's personnel attempt to withhold a late payment interest penalty due to a contractor; 2) the 15-day grace period, during which current law allows the Federal government to pay late without incurring a late payment interest penalty, would be gradually phased out; and 3) implementation of the Act through the government-wide Federal Acquisition Regulation, which has been delayed four years and identified by GAO as a "continuing cause of many payment problems" would be required. S. 328 has 64 co-sponsors and is identical to legislation passed by the Senate shortly before it adjourned last year. S. 328 has been referred to the Senate Governmental Affairs Committee, of which Sen. Sasser is a member, and action on the bill is expected in March.

For further information contact Shirley Hodgson or Joseph Petito at 202/872-8190.

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